



Testimony
Betsy Gara, Executive Director
Connecticut Council of Small Towns
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The Connecticut Council of Small Towns (COST), which represents 115 towns throughout Connecticut, **supports the provisions in HB-5377, An Act Concerning the Prevailing Wage, which would adjust the state's prevailing wage requirements to increase the project thresholds for both new construction and renovations.**

COST has long supported efforts to adjust the project thresholds that trigger prevailing wage requirements. This will help reduce the cost of local building projects and assist towns in moving forward with construction projects that support job creation for our residents.

The prevailing wage mandate is often cited as one of the most costly and burdensome unfunded mandate, particularly for some of our smaller communities. Local taxpayers – individuals and businesses alike – are increasingly frustrated by increases in their property taxes when local governments have to raise additional revenue due to unfunded state mandates.

Under current law, workers employed on new state and local building projects costing more than \$400,000 or on state and local renovation projects costing more than \$100,000, must be paid a prevailing wage rate, which is generally substantially higher than the market rate, resulting in significantly higher costs for state and local projects. For example, in 2007, the median wage for electricians was about the same statewide as it was in the City of Hartford, approximately \$24.13 per hour. However, during that same time, the prevailing wage set by the state for Hartford was \$32.30 per hour plus a fringe benefit rate of \$17.38 per hour – more than 25% higher.

In fact, a 1995 study by the Connecticut Advisory Commission on Intergovernmental Relations (ACIR) concluded that prevailing-wage rates increase construction costs for towns and cities as much as 21% annually. Some studies, including a study recently released by Columbia University* estimate these costs to be much higher. Clearly, these additional costs make it harder to fund necessary repairs and improvements to municipal offices, schools and other buildings.

Prevailing wage laws hurt Connecticut's smaller communities and local economies by effectively shutting out many local contractors from bidding on jobs. Because prevailing wage laws are heavily and precisely regulated, small contractors generally lack the staff and/or sophistication to comply with reporting and bid requirements.

In addition, the prevailing wage rates are generally much higher than the wage rates in smaller communities. The state Commissioner of Labor adopts rates set for Connecticut by the U.S. Secretary of Labor which determines rates by surveying contractors and subcontractors who have completed construction work in a particular geographic area during a particular time period

regarding the wages they paid to designated classes of employees on those projects. If a majority of the workers in a classification receive the same wage, that amount will become the prevailing wage. According to the state Department of Labor's website, "In such cases, that rate is usually the one contained in a collective bargaining agreement (CBA). This is because union workers are the ones most likely to earn exactly the same hourly pay to the penny."

As a result, due to the project thresholds which have not been increased since 1991, relatively small projects are subject to prevailing wage rates, foreclosing opportunities for smaller, non-union contractors and substantially increasing the cost of such projects.

Recognizing that the thresholds needed to be adjusted for inflation, prior to 1991, legislators adjusted prevailing wage thresholds on a six-year schedule:

- In 1979, the legislature set project thresholds at \$10,000 for renovations and \$50,000 for new construction;
- In 1985, the legislature adjusted thresholds to \$50,000 for renovations and \$200,000 for new construction.
- In 1991, the legislature adjusted thresholds to \$100,000 for renovations and \$400,000 for new construction.

It has now been almost a quarter century since the prevailing wage thresholds have been adjusted even though construction costs have increased significantly since 1991.

Included in my written testimony are examples of how prevailing wage laws have impacted our smaller towns and cities. These examples provide a clear picture of how increasing the prevailing wage thresholds will benefit property taxpayers.

Thank you for your consideration.

Examples of Current Prevailing Wage Rate Rules and Their Impacts at the Local Level

1. The Town of Salisbury, using a state grant to reconstruct sidewalks and curbs, had to put the bid out twice because none of the local contractors who could have done the job were willing to bid. Larger firms were reluctant to bid the job because it was almost too small for them to make a reasonable profit and it was too far away. Local contractors that could easily have competed for the jobs were discouraged by the burdensome wage, benefit and reporting requirements associated with the prevailing wage laws.
2. The Town of Hebron was undertaking renovations to a historic home, the Peter's House, which dates back to the mid 1700's. Although a resident in a neighboring community who was qualified to perform such renovations was willing to donate his time to restore the house, the town was advised that using his services was prohibited under the state's prevailing wage laws.
3. Regional School District 13 (Durham/Middlefield) was advised by legal counsel that under the state's prevailing wage laws, the district is prohibited from using local contractors who want to donate their labor to assist in completing bathroom and locker room facilities for the high school athletic field if the district funds any part of the project. Many of these contractors have strong ties to the community and are fully licensed and insured to perform such services.
4. The Town of Barkhamsted gained authorization from residents to renovate the town highway garage and build an addition to house the town's equipment. In addition, they needed to replace the salt storage buildings, one of which had collapsed. The cost of the project came in just under \$2 million. However, without prevailing wage, the project would likely cost less than \$1.6 million, making it much more affordable for property taxpayers.
5. The Town of Harwinton received a bid on a project to build a new garage which came in at \$1.35 million. However, when the state Department of Labor determined that the project would be subject to prevailing wage rates, the bid was increased to \$1.65 million. The town incurred additional costs of \$300,000 – which is a lot of money for a small town. In addition, the town received a Small Town Economic Assistance Program (STEAP) grant in the amount of \$232,000 in order to install a water line to a school. However, the state Department of Labor determined that this was considered a renovation for purposes of the prevailing wage law rather than new construction. The town therefore had to pay an additional \$55,000 in wage costs to complete the project.
6. The Town of Granby received quotes for the construction of a proposed wash bay, one with prevailing wages, and one without. With prevailing wages the cost estimate was \$223,020. Without prevailing wage, the cost estimate was \$140,000. The extra cost to the town: \$83,000
7. The Town of New Hartford had a second well (code) project that ballooned in cost due to the expenses associated with prevailing wage. After initially bidding a second well project at one of the elementary schools, with the low bidder bidding at \$99,806.90 (not using prevailing wages rates) and the next lowest bidder coming in at \$140,690.00 (using prevailing wage rates) the town's attorney recommended that we go back out to bid asking that the project be bid

universally using prevailing wages rates. He was concerned that an unplanned cost overrun would put the low bidder into prevailing wage territory and cause a problem for both the contractor and the town. After a period of time, the initial lower bidder re-bid the same project using prevailing wages rates. This new bid, which was ultimately accepted, came in as the low bidder at \$130,611.01, a cost increase of nearly \$31,000.00. This project was approved as a state building grant project and New Hartford was reimbursed at its state approved rate. Therefore, this cost increase impacted more than New Hartford's finances.

8. Thompson constructed the Quinebaug Fire Station for a total project cost of approximately \$960,000 over two phases. The town estimated that it could have saved from \$150,000-\$175,000 if it had not been subject to prevailing wage laws. The Fire Station belongs to a nonprofit fire company, and they could have received a lot more donated, discounted, and otherwise market-rate labor without this requirement.

9. The Towns of Lyme and Old Lyme were awarded STEAP grants in the amount of \$325,000 each for two park and recreation baseball fields (Phase II). A local contractor, who did Phase I, said he could do it for a lot less without prevailing wage requirements.

10. The Town of Thompson completed a renovation project to a school. The contractor estimated that had this \$1 million project not been subject to prevailing wage, it would have cost approximately \$100,000 less.

COST is an advocacy organization committed to giving small towns a strong voice in the legislative process. Its members are Connecticut towns with populations of less than 30,000. COST champions the major policy needs and concerns of Connecticut's suburban and rural towns. More information is available at www.ctcost.org